

**REPORT OF THE AUDIT OF THE
KENTON COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2010**



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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Steven L. Beshear, Governor

Jonathan Miller, Secretary

Finance and Administration Cabinet

Honorable Ralph Drees, Kenton County Judge/Executive

Members of the Kenton County Fiscal Court

The enclosed report prepared by Ray, Foley, Hensley & Company, PLLC, presents the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Kenton County, Kentucky, as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements.

We engaged Ray, Foley, Hensley & Company, PLLC to perform the audit of these financial statements. We worked closely with the firm during our report review process; Ray, Foley, Hensley & Company, PLLC, evaluated the Kenton County's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in cursive script, reading "Crit Luallen".

Crit Luallen

Auditor of Public Accounts

Enclosure



EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE KENTON COUNTY FISCAL COURT

June 30, 2010

Ray, Foley, Hensley & Company, PLLC, has completed the audit of the Kenton County Fiscal Court for fiscal year ended June 30, 2010.

The financial statements of the Kenton County Golf Course, a major enterprise fund, has been audited by other auditors; and their report has been provided to us. These financial statements have been prepared under accounting principles generally accepted in the United States of America, which is inconsistent with the basis of accounting Kenton County, Kentucky, uses to prepare its financial statements. As a result, we have issued a qualified opinion on the business-type activities and major enterprise fund.

We have also issued unqualified opinions on the governmental activities, each major governmental fund, and the aggregate remaining fund information of Kenton County, Kentucky. We have issued an unqualified opinion on Kenton County's compliance with requirements applicable to its' major federal awards program.

Financial Condition:

The fiscal court had total net assets of \$83,657,416 as of June 30, 2010. The fiscal court had unrestricted net assets of \$39,790,776 in its governmental activities as of June 30, 2010, with total net assets of \$80,823,612. In its business-type activities, total net cash and cash equivalents were \$217,368 with total net assets of \$2,833,804. The fiscal court had total debt principal in its governmental activities as of June 30, 2010 of \$66,795,000 with \$3,995,000 due within the next year.

Deposits:

The fiscal court's deposits were insured and collateralized by bank securities or bonds.

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To the People of Kentucky
Honorable Steven L. Beshear, Governor
Jonathan Miller, Secretary
Finance and Administration Cabinet
Honorable Ralph Drees, Kenton County Judge/Executive
Members of the Kenton County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Kenton County, Kentucky, as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Kenton County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Kenton County Golf Course, which represent 98% and 96% of the assets and revenues, respectively, of the business-type activities and major enterprise fund. That financial statement was audited by another auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Kenton County Golf Course is based on the report of the other auditor.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditor provides a reasonable basis for our opinions.

As described in Note 1, Kenton County, Kentucky, prepares its financial statements in accordance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The financial statements of the Kenton County Golf Course, an enterprise fund, is presented in accordance with the accrual basis of accounting and therefore include certain accruals required by accounting principles generally accepted in the United States of America that are not presented in accordance with the modified cash basis. The amounts by which these accruals affect the financial statements are not reasonably determinable.

To the People of Kentucky
Honorable Steven L. Beshear, Governor
Jonathan Miller, Secretary
Finance and Administration Cabinet
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Members of the Kenton County Fiscal Court

In our opinion, based on our audit and the report of the other auditor, except for the effects of such adjustments, if any, as might have been determined had the Kenton County Golf Course been prepared using the same basis of accounting as Kenton County, Kentucky, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the major enterprise fund of Kenton County, Kentucky as of June 30, 2010 and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major governmental fund, and the aggregate remaining fund information for Kenton County, Kentucky, as of June 30, 2010, and the respective changes in financial position, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Kenton County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the basic financial statements. The combining fund financial statements and the schedule of expenditures for federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation of the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated January 27, 2011 on our consideration of Kenton County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Respectfully submitted,

Ray, Foley, Hensley & Company

Ray, Foley, Hensley & Company, PLLC
January 27, 2011

KENTON COUNTY OFFICIALS

For The Year Ended June 30, 2010

Fiscal Court Members:

| | |
|---------------------|------------------------|
| Ralph A. Drees | County Judge/Executive |
| Kris Knochemann | Commissioner |
| Dan Humpert | Commissioner |
| Sara Reeder Voelker | Commissioner |

Other Elected Officials:

| | |
|-----------------------|----------------------------------|
| Garry Edmondson | County Attorney |
| Terrance Carl | Jailer |
| Rodney Eldridge | County Clerk |
| Karen Linn | Circuit Court Clerk |
| Charles L. Korzenborn | Sheriff |
| Mark Vogt | Property Valuation Administrator |
| David Suetholz | Coroner |

Appointed Personnel:

| | |
|-------------------|-------------------------------|
| R. Scott Kimmich | Deputy County Judge Executive |
| Jerome Knochemann | County Treasurer |
| Conley Thompson | Occupational Tax Collector |
| Brenda Spare | Assistant Treasurer |



KENTON COUNTY FISCAL COURT

RALPH A. DREES, Judge/Executive
SARA REEDER VOELKER, Commissioner
DAN HUMPERT, Commissioner
KRIS KNOCHELMANN, Commissioner
GARRY EDMONDSON, Attorney

R. SCOTT KIMMICH, Deputy Judge/Executive
JEROME D. KNOCHELMANN, Treasurer
JOE SHRIVER, Director, Human Resource
ED BUTLER, Police Chief
JOE MURPHY, Director, Public Works

BILL DORSEY, Director, HSEM
SCOTT GUNNING, Director, Parks & Recreation
ROGER WELLS, Director, Fleet Management &
Solid Waste Coordinator

KENTON COUNTY MANAGEMENT'S DISCUSSION AND ANALYSIS FYE 6/30/2010

The management of Kenton County, Kentucky offers readers of Kenton County's financial statements this narrative overview and analysis of the financial activities of Kenton County for the fiscal year ended June 30, 2010. We encourage readers to consider the information presented here in conjunction with other information that we have furnished in our letter of transmission and the notes to the financial statements.

Financial Highlights

At the close of the current fiscal year, the Kenton County balance sheet reported fund balances of \$36,549,612; of this amount \$1,247,686 is reserved for encumbrances, \$0 is reserved for Capital Projects, \$167 is restricted for Debt Service, leaving an unreserved fund balance of \$35,301,759 available for spending at the government's discretion.

In its enterprise fund (the Golf Fund and Commissary Fund), cash and cash equivalents were \$217,368 with total assets of \$3,431,486.

Kenton County's total net assets were \$83,657,416 as of June 30, 2010, an increase of \$1,393,866 over the previous year.

In its governmental activities, Kenton County's total indebtedness at the close of fiscal year June 30, 2010 was \$66,795,000, a decrease of \$3,905,000 from 2009.

Overview of the Financial Statements

This management discussion and analysis is intended to serve as an introduction to Kenton County's basic financial statements. Kenton County's basic financial statements are comprised of three components: 1) government wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Kenton County
Management's Discussion and Analysis
June 30, 2009
(Continued)

Overview of the Financial Statements (Continued)

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of Kenton County's finances, in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information on all of Kenton County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Kenton County is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net assets changed during the fiscal year. All changes in net assets are reported on a modified cash basis of accounting. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses, and related assets and liabilities.

Under the county's modified cash basis of accounting, revenues and expenses and related assets and liabilities are recorded when they result from a cash transaction, except for the recording of depreciation expenses on capital assets in the government-wide financial statements for all activities and in the fund financial statements for the proprietary fund financial statements.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as amounts billed for services provided, but not collected) and accounts payable (expenses for goods and services received but not paid) or compensated absences are not recorded.

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). Kenton County's governmental activities include general governmental, protection to persons and property, roads, recreation, and social services. The County has one business type activity - the operation of three county golf courses.

The government-wide financial statements include not only Kenton County itself (known as the primary government), but also legally separate entities, which have a significant operational or financial relationship with the County. Kenton County has one such entity, the County Golf Course Fund that is presented as a blended component unit.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Kenton County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Kenton County can be divided into two broad categories: *governmental funds and proprietary funds*.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current inflows and outflows of resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's current financing requirements.

Kenton County
Management's Discussion and Analysis
June 30, 2009
(Continued)

Overview of the Financial Statements (Continued)

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Kenton County maintains four major governmental funds. Information is presented separately in the governmental fund balance sheet and in the government fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Road Fund, Jail Fund and the Occupational License Fund (COLT), all of which are considered major funds by the County. Local Government Economic Assistance Fund (LGEA), Community Development Block Grant Fund (CDBG), Special Police Fund, and the Debt Service Fund are considered non-major funds and are represented in a combined form.

Kenton County adopts an annual appropriated budget for its major governmental funds. A budgetary comparison statement has been provided for each of these funds to demonstrate compliance with their budgets.

Proprietary Funds. Proprietary funds provide the same type of information as the business-type activities column on the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Kenton County Golf Course, the Jail Canteen Fund and an Insurance internal service fund.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis.

Net Assets. Net assets may serve as a useful indicator of a government's financial position and is more reflective of the government's financial health when viewed over time.

Kenton County
Management's Discussion and Analysis
June 30, 2009
(Continued)

Overview of the Financial Statements (Continued)

Table 1
Kenton County Net Assets

| | Governmental Activities | | Business Activities | | Total | |
|--|------------------------------------|---------------|--------------------------------|--------------|--------------|---------------|
| | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 |
| Assets | | | | | | |
| Current and other Assets | \$ 62,272,701 | \$ 39,790,943 | \$ 355,541 | \$ 278,062 | \$62,628,242 | \$ 40,069,005 |
| Capital assets | 87,704,169 | 107,827,669 | 3,502,050 | 3,153,424 | 91,206,219 | 110,981,093 |
| Total Assets | 149,976,870 | 147,618,612 | 3,857,591 | 3,431,486 | 153,834,461 | 151,050,098 |
| Liabilities | | | | | | |
| Current and other liabilities | 3,905,000 | 3,995,000 | 522,390 | 597,680 | 4,427,390 | 4,592,680 |
| Long-term liabilities | 66,795,000 | 62,800,000 | 93,050 | | 66,888,050 | 62,800,000 |
| Total Liabilities | 70,700,000 | 66,795,000 | 615,440 | 597,680 | 71,315,440 | 67,392,680 |
| Net Assets | | | | | | |
| Invested in capital assets, net of related debt | 17,004,169 | 41,032,669 | 3,315,950 | 3,060,372 | 20,320,119 | 44,093,041 |
| Restricted | 36,084,365 | 167 | | | 36,084,365 | 167 |
| Unrestricted | 26,188,336 | 39,790,776 | (73,799) | (226,568) | 26,114,537 | 39,564,208 |
| (Restated) | (306,392) | | 30,921 | | (275,471) | |
| Total net assets | \$ 78,970,478 | \$ 80,823,612 | \$ 3,273,072 | \$ 2,833,804 | \$82,243,550 | \$ 83,657,416 |

Key elements of governmental activities are as follows:

- Current assets and cash decreased by \$22,481,758.
- Investment in capital assets, net of related debt increased by \$24,028,500.
- Current and long-term liabilities decreased by \$3,905,000.

Key elements of business-type activities are as follows:

- Current assets and cash decreased by \$77,479.
- Investment in capital assets, net of related debt increased \$255,578.
- Current and long-term liabilities decreased \$17,760.

Kenton County
Management's Discussion and Analysis
June 30, 2009
(Continued)

Overview of the Financial Statements (Continued)

Changes in Net Assets

Table 2
Statement of Activities Comparison

| Expenses: | Governmental Activities | | | Business-type Activities | | |
|------------------------------------|--------------------------------|---------------------|---------------------|---------------------------------|---------------------|---------------------|
| | 2009 | 2010 | Variance | 2009 | 2010 | Variance |
| General Government | \$ 12,420,234 | \$10,250,021 | \$ (2,170,213) | \$ 2,510,850 | \$ 2,661,608 | \$ 150,758 |
| Protection to Persons and Property | 10,502,564 | 10,322,933 | (179,631) | | | |
| General Health and Sanitation | 2,273,327 | 2,406,954 | 133,627 | | | |
| Social Services | 1,079,060 | 963,108 | (115,952) | | | |
| Recreation and Culture | 660,045 | 779,054 | 119,009 | | | |
| Roads | 1,917,307 | 2,912,076 | 994,769 | | | |
| Bus Service | 8,850,789 | 8,668,323 | (182,466) | | | |
| Transportation Facilities | 385,059 | 325,166 | (59,893) | | | |
| Road Facilities | 1,137,691 | 984,410 | (153,281) | | | |
| Debt Service | 1,349,091 | 2,597,588 | 1,248,497 | | | |
| Capital Projects | 1,377,930 | | (1,377,930) | | | |
| Administration | | 8,574,259 | 8,574,259 | | | |
| Total Expenses | 41,953,097 | 48,783,892 | 6,830,795 | 2,510,850 | 2,661,608 | 150,758 |
| Revenues: | | | | | | |
| Charges for Services | 3,079,705 | 6,722,891 | 3,643,186 | 2,404,468 | 2,191,807 | (212,661) |
| Operating Grants and Contributions | 6,730,648 | 7,103,919 | 373,271 | | | |
| Capital Grants and Contributions | | 408,852 | 408,852 | | | |
| General Revenues | 34,880,838 | 36,401,364 | 1,520,526 | 955,981 | 30,533 | (925,448) |
| Change in Net Assets | 2,738,094 | 1,853,134 | (884,960) | 849,599 | (439,268) | (1,288,867) |
| Beginning Net Assets | 76,538,776 | 78,970,478 | 2,431,702 | 2,392,552 | 3,273,072 | 880,520 |
| (Restated) | (306,392) | | 306,392 | 30,921 | | (30,921) |
| Ending Net Assets | \$ 78,970,478 | \$80,823,612 | \$ 1,546,742 | \$ 3,273,072 | \$ 2,833,804 | \$ (408,347) |

Governmental Activities: Kenton County's net assets have increased by \$1,853,134 in fiscal year 2010. Key elements are as follows:

- Revenues were \$50,637,026 as reflected in the Statement of Activities.
- Expenditures totaled \$48,783,892 as reflected in the Statement of Activities.

Business-type Activities: Net assets of the business-type activities decreased by \$439,268 in fiscal year 2010. Key elements of this are as follows:

- Revenues were \$2,222,340 as reflected in the Statement of Activities.
- Expenditures totaled \$2,661,608 as reflected in the Statement of Activities.

**Kenton County
Management's Discussion and Analysis
June 30, 2009
(Continued)**

Financial Analysis of the County's Funds.

As noted earlier, Kenton County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds Overview. The focus of Kenton County governmental funds is to provide information on current inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the June 30, 2010 fiscal year, the combined ending fund balance of County governmental funds was \$36,549,612; of this amount \$1,247,686 is reserved for encumbrances, \$0 is reserved for Capital Projects, \$167 is restricted for Debt Service, leaving an unreserved fund balance of \$35,301,759 available for spending at the government's discretion.

The County has four major governmental funds. These are 1) General Fund; 2) Road Fund; 3) Jail Fund; 4) Occupational License Fund. There are four non-major funds. They are the Local Government Economic Assistance Fund; Community Development Block Grant Fund, Special Police Fund, and the Debt Service Fund.

1. The General Fund is the chief operating fund of Kenton County. At the end of the June 30, 2010 fiscal year, the unreserved fund balance of the General Fund was \$30,171,387. As a measure of liquidity, it is useful to compare unreserved fund balance to total fund expenditures and this balance represented 81 % of the total General Fund Expenditures.
2. The Road Fund is the fund related to county road and bridge construction and maintenance. The Road Fund required a transfer from the General Fund for operations in the amount of \$1,000,000 and had an unreserved balance of \$405,820 at year-end.
3. The Jail Fund is used to account for the operation of the County's detention center. The General Fund supplements jail operations with budget transfers therefore the Jail Fund balance of \$721,048 should be treated as excess General Fund transfers. Transfers of \$5,000,000 to the Jail Fund are very high and continue to be an ever-increasing burden on the County's General Fund. This burden will be even greater as the new detention center went on line in November 2010 unless we can find other sources to help fund the operations.
4. The Occupational License Fund accounts for the receipt of payroll and net profit license fees. These funds provide for mass transit, mental health/mental retardation, senior services, nursing and health care and debt service on the county parking garage. The fund had an unreserved balance of \$3,957,107, which is a decrease of \$420,670 from the previous fiscal year end.

**Kenton County
Management's Discussion and Analysis
June 30, 2009
(Continued)**

Financial Analysis of the County's Funds. (Continued)

Other Governmental funds consist of the LGEA Fund that receives funds from the state for coal and mineral impact fees. These are restricted to use on coal haul road and the fund had a balance of \$20,141 at year-end. The CDBG Fund accounts for restricted purpose federal grant funds supplemented by the receipt of repayments from economic development loans. The Special Police Fund represents the proceeds of forfeited assets from court cases and is used only for police purposes. The fund had a balance of \$63,959 at year-end. The debt service fund is used for debt proceeds and payments. The fund had a balance of \$167 at year-end.

Proprietary Funds Overview. The County's proprietary fund statements provide the same type of information found in the business-type activities column of the government-wide statements, but in more detail.

Kenton County has three proprietary funds, the Kenton County Golf Courses Fund, the Jail Canteen Fund and an internal Self-Insurance Service Fund. The Golf Fund had net assets of \$2,780,944, representing a decrease of \$461,206 over the previous year. The Jail Canteen Fund had net assets of \$52,860 and the Self-Insurance Fund balance ending June 30, 2010, was \$3,241,331, all of which is held in cash and cash equivalents.

Capital Assets and Debt Administration.

Capital Assets. Kenton County's investment in capital assets for its government and business type activities as of June 30, 2010, amounts to \$110,981,093 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements to land other than buildings, machinery and equipment, vehicles and current year infrastructure additions. The County has elected to report infrastructure assets per GASB 34 provisions.

Additional information on the County's capital assets can be found in Note 3 of this report.

Kenton County
Management's Discussion and Analysis
June 30, 2009
(Continued)

Capital Assets and Debt Administration. (Continued)

Table 3
Kenton County's Capital Assets, Net of Accumulated Depreciation

| | Governmental Activities | | Business-Type Activities | | Total Activities | |
|----------------------------|------------------------------------|-----------------------|-------------------------------------|---------------------|-----------------------------|-----------------------|
| | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 |
| Infrastructure Assets | \$ 7,203,981 | \$ 6,519,680 | \$ | \$ | \$ 7,203,981 | \$ 6,519,680 |
| Land | 13,735,954 | 13,735,954 | 354,885 | 354,885 | 14,090,839 | 14,090,839 |
| Const in Progress | 7,724,568 | 28,629,004 | | | 7,724,568 | 28,629,004 |
| Buildings and Improvements | 55,798,130 | 56,414,382 | 2,742,930 | 2,516,971 | 58,541,060 | 58,931,353 |
| Other Equipment | | | 404,235 | 281,568 | 404,235 | 281,568 |
| Vehicles and Equipment | 3,241,536 | 2,528,649 | | | 3,241,536 | 2,528,649 |
| Total Net Assets | <u>\$ 87,704,169</u> | <u>\$ 107,827,669</u> | <u>\$ 3,502,050</u> | <u>\$ 3,153,424</u> | <u>\$ 91,206,219</u> | <u>\$ 110,981,093</u> |

Long-Term Debt. At the end of the 2010 fiscal year, Kenton County had total long-term debt outstanding in its governmental activities of \$66,795,000, of which \$3,995,000 is considered short-term obligations (to be paid within 1 year). The Commonwealth of Kentucky limits the amount of debt that a unit of government can issue to two percent of the total assessed value of taxable property located within that government's boundaries. The legal debt limit for Kenton County is \$180,182,895, which makes the current debt only 37 % of the legal issuing authority.

Short-Term Debt. The county had no short-term debt other than the amount of long term debt due in the next fiscal year. The county does not have any capital lease or lease purchase agreements as of June 30, 2010. Additional information on Debt can be found in Note 5 of this Report.

Requests For Information

This financial report is designed to provide a general overview of Kenton County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this or requests for additional financial information should be addressed to the Kenton County Treasurer, 303 Court Street, Room 207, Covington, KY 41012.

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KENTON COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2010

KENTON COUNTY
STATEMENT OF NET ASSETS-MODIFIED CASH BASIS

June 30, 2010

| | Primary Government | | |
|---|------------------------------------|-------------------------------------|-----------------------|
| | Governmental Activities | Business-Type Activities | Totals |
| ASSETS | | | |
| Current Assets: | | | |
| Cash and Cash Equivalents | \$ 14,661,162 | \$ 217,368 | \$ 14,878,530 |
| Investments | 25,036,731 | | 25,036,731 |
| Note Receivable From Golf Course | 93,050 | | 93,050 |
| Inventory | | 60,694 | 60,694 |
| Total Current Assets | <u>39,790,943</u> | <u>278,062</u> | <u>40,069,005</u> |
| Non-Current Assets: | | | |
| Land | 13,735,954 | 354,885 | 14,090,839 |
| Construction in Progress | 28,629,004 | | 28,629,004 |
| Capital Assets - Net of Accumulated Depreciation: | | | |
| Land Improvements | | 2,056,970 | 2,056,970 |
| Buildings and Improvements | 56,414,382 | 460,001 | 56,874,383 |
| Power Carts | | 87,173 | 87,173 |
| Machinery and Equipment | | 194,395 | 194,395 |
| Vehicles and Equipment | 2,528,649 | | 2,528,649 |
| Infrastructure | 6,519,680 | | 6,519,680 |
| Total Non-Current Assets | <u>107,827,669</u> | <u>3,153,424</u> | <u>110,981,093</u> |
| Total Assets | <u>\$ 147,618,612</u> | <u>\$ 3,431,486</u> | <u>\$ 151,050,098</u> |

The accompanying notes are an integral part of the financial statements.

KENTON COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
June 30, 2010
(Continued)

| | Primary Government | | |
|-------------------------------|---------------------------|----------------------|----------------------|
| | Governmental | Business-Type | |
| | Activities | Activities | Totals |
| LIABILITIES | | | |
| Current Liabilities: | | | |
| Accounts Payable | \$ | \$ 98,470 | \$ 98,470 |
| Accrued Payroll | | 42,974 | 42,974 |
| Accrued Compensated Absences | | 155,305 | 155,305 |
| Other Accrued Liabilities | | 179,437 | 179,437 |
| Gift Certificates Outstanding | | 28,444 | 28,444 |
| Bonds Payable | 3,995,000 | 93,050 | 4,088,050 |
| Total Current Liabilities | <u>3,995,000</u> | <u>597,680</u> | <u>4,592,680</u> |
| Non-Current Liabilities: | | | |
| Bonds Payable | 62,800,000 | | 62,800,000 |
| Total Non-Current Liabilities | <u>62,800,000</u> | | <u>62,800,000</u> |
| Total Liabilities | <u>66,795,000</u> | <u>597,680</u> | <u>67,392,680</u> |
| NET ASSETS | | | |
| Invested in Capital Assets, | | | |
| Net of Related Debt | 41,032,669 | 3,060,372 | 44,093,041 |
| Restricted: | | | |
| Debt Service | 167 | | 167 |
| Unrestricted | 39,790,776 | (226,568) | 39,564,208 |
| Total Net Assets | <u>\$ 80,823,612</u> | <u>\$ 2,833,804</u> | <u>\$ 83,657,416</u> |

The accompanying notes are an integral part of the financial statements.

KENTON COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2010

KENTON COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2010

| | | Program Revenues Received | | |
|--|---------------|---------------------------|--|--|
| Functions/Programs Reporting Entity | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary Government: | | | | |
| Governmental Activities: | | | | |
| General Government | \$ 18,824,280 | \$ 6,178,526 | \$ 1,918,047 | \$ 408,852 |
| Protection to Persons and Property | 10,322,933 | 125,184 | 2,158,781 | |
| General Health and Sanitation | 2,406,954 | | | |
| Social Services | 963,108 | | | |
| Recreation and Culture | 779,054 | | | |
| Roads | 2,912,076 | 419,181 | 1,019,954 | |
| Bus Service | 8,668,323 | | 712,818 | |
| Transportation Facilities | 325,166 | | | |
| Road Facilities | 984,410 | | | |
| Interest on Long-Term Debt | 2,597,588 | | 1,294,319 | |
| Total Governmental Activities | 48,783,892 | 6,722,891 | 7,103,919 | 408,852 |
| Business-type Activities: | | | | |
| Jail Canteen | 69,161 | 87,732 | | |
| Kenton County Golf Course | 2,592,447 | 2,104,075 | | |
| Total Business-type Activities | 2,661,608 | 2,191,807 | | |
| Total Primary Government | \$ 51,445,500 | \$ 8,914,698 | \$ 7,103,919 | \$ 408,852 |

General Revenues:

Taxes:

Real Property Taxes

Personal Property Taxes

Motor Vehicle Taxes

Other Taxes

Payment in Lieu of Taxes

Excess Fees

Licenses and Permits

Unrestricted Investment Earnings

Loss on Disposal of Capital Assets

Miscellaneous Revenues

Total General Revenues

Change in Net Assets

Net Assets - Beginning (Restated)

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

KENTON COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2010
(Continued)

| Net (Expenses) Revenues and Changes in Net Assets | | |
|--|-------------------------------------|-----------------|
| Primary Government | | |
| Governmental Activities | Business-Type Activities | Totals |
| \$ (10,318,855) | \$ | \$ (10,318,855) |
| (8,038,968) | | (8,038,968) |
| (2,406,954) | | (2,406,954) |
| (963,108) | | (963,108) |
| (779,054) | | (779,054) |
| (1,472,941) | | (1,472,941) |
| (7,955,505) | | (7,955,505) |
| (325,166) | | (325,166) |
| (984,410) | | (984,410) |
| (1,303,269) | | (1,303,269) |
| (34,548,230) | | (34,548,230) |
| | 18,571 | 18,571 |
| | (488,372) | (488,372) |
| | (469,801) | (469,801) |
| (34,548,230) | (469,801) | (35,018,031) |
| 13,642,827 | | 13,642,827 |
| 1,028,458 | | 1,028,458 |
| 1,178,837 | | 1,178,837 |
| 13,820,412 | | 13,820,412 |
| 48,131 | | 48,131 |
| 1,833,016 | | 1,833,016 |
| 170,849 | | 170,849 |
| 382,538 | 667 | 383,205 |
| | (83) | (83) |
| 4,296,296 | 29,949 | 4,326,245 |
| 36,401,364 | 30,533 | 36,431,897 |
| 1,853,134 | (439,268) | 1,413,866 |
| 78,970,478 | 3,273,072 | 82,243,550 |
| \$ 80,823,612 | \$ 2,833,804 | \$ 83,657,416 |

The accompanying notes are an integral part of the financial statements.

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KENTON COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2010

KENTON COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2010

| | General Fund | Road Fund | Jail Fund | Occupational License Tax Fund |
|------------------------------------|-------------------------|----------------------|----------------------|--|
| ASSETS | | | | |
| Cash and Cash Equivalents | \$ 7,916,127 | \$ 458,214 | \$ 721,048 | \$ 2,240,125 |
| Investments | 23,236,731 | | | 1,800,000 |
| Due From Kenton County Golf Course | 93,050 | | | |
| | <u>31,245,908</u> | <u>458,214</u> | <u>721,048</u> | <u>4,040,125</u> |
| FUND BALANCES | | | | |
| Reserved for: | | | | |
| Encumbrances | 1,074,521 | 52,394 | 37,751 | 83,020 |
| Unreserved: | | | | |
| General Fund | 30,171,387 | | | |
| Special Revenue Funds | | 405,820 | 683,297 | 3,957,105 |
| Capital Projects | | | | |
| Debt Service Fund | | | | |
| | <u>\$31,245,908</u> | <u>\$ 458,214</u> | <u>\$ 721,048</u> | <u>\$ 4,040,125</u> |

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets:

Total Fund Balances

Amounts Reported For Governmental Activities In The Statement

Of Net Assets Are Different Because:

Capital Assets Used in Governmental Activities Are Not Financial Resources

And Therefore Are Not Reported in the Funds.

Accumulated Depreciation

Internal Service Fund is Used by Management to Charge the Cost of Health

Insurance to Individual Funds. The Assets and Liabilities Are Included in
Governmental Activities on the Statement of Net Assets.

Long-term Debt Is Not Due and Payable in the Current Period and, Therefore,

Is Not Reported in the Funds.

Bonded Debt

Net Assets Of Governmental Activities

The accompanying notes are an integral part of the financial statements.

KENTON COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
June 30, 2010
(Continued)

| Non- Major Funds | Total Governmental Funds |
|---------------------------------|---|
| \$ 84,317 | \$ 11,419,831 |
| | 25,036,731 |
| | 93,050 |
| <u>84,317</u> | <u>36,549,612</u> |
| | 1,247,686 |
| | 30,171,387 |
| 84,150 | 5,130,372 |
| <u>167</u> | <u>167</u> |
| <u>\$ 84,317</u> | <u>\$ 36,549,612</u> |
| | \$ 36,549,612 |
| | 143,850,352 |
| | (36,022,683) |
| | 3,241,331 |
| | <u>(66,795,000)</u> |
| | <u>\$ 80,823,612</u> |

The accompanying notes are an integral part of the financial statements.

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KENTON COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2010

KENTON COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2010

| | General Fund | Road Fund | Jail Fund |
|---|-------------------------|----------------------|----------------------|
| REVENUES | | | |
| Taxes | \$ 17,038,785 | \$ 1,265,274 | \$ |
| In Lieu Tax Payments | 48,131 | | |
| Excess Fees | 1,833,016 | | |
| Licenses and Permits | 170,849 | | |
| Intergovernmental | 1,011,218 | 977,288 | 2,158,783 |
| Charges for Services | 2,181,524 | 419,181 | 125,184 |
| Miscellaneous | 3,178,287 | 164,269 | 756,140 |
| Interest | 271,887 | 1,977 | 1,039 |
| Total Revenues | <u>25,733,697</u> | <u>2,827,989</u> | <u>3,041,146</u> |
| EXPENDITURES | | | |
| General Government | 4,379,715 | | |
| Protection to Persons and Property | 3,735,966 | | 5,957,167 |
| General Health and Sanitation | 658,498 | | |
| Social Services | 227,784 | | |
| Recreation and Culture | 711,074 | | |
| Roads | | 2,089,604 | |
| Bus Services | | | |
| Other Transportation Facilities and Services | | | |
| Road Facilities | | 962,087 | |
| Debt Service | | | |
| Capital Projects | 22,058,990 | 161,999 | |
| Administration | 5,415,675 | 693,109 | 2,056,422 |
| Total Expenditures | <u>37,187,702</u> | <u>3,906,799</u> | <u>8,013,589</u> |
| Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses) | <u>(11,454,005)</u> | <u>(1,078,810)</u> | <u>(4,972,443)</u> |
| Other Financing Sources (Uses) | | | |
| Transfers From Other Funds | | 1,000,000 | 5,000,000 |
| Transfers To Other Funds | (9,804,169) | | |
| Total Other Financing Sources (Uses) | <u>(9,804,169)</u> | <u>1,000,000</u> | <u>5,000,000</u> |
| Net Change in Fund Balances | (21,258,174) | (78,810) | 27,557 |
| Fund Balances - Beginning (Restated) | 52,504,082 | 537,024 | 693,491 |
| Fund Balances - Ending | <u>\$ 31,245,908</u> | <u>\$ 458,214</u> | <u>\$ 721,048</u> |

The accompanying notes are an integral part of the financial statements.

KENTON COUNTY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2010
(Continued)

| Occupational License Tax Fund | Non- Major Funds | Total Governmental Funds |
|--|---------------------------------|---|
| \$ 11,366,473 | \$ | \$ 29,670,532 |
| | | 48,131 |
| | | 1,833,016 |
| | | 170,849 |
| 712,818 | 1,681,222 | 6,541,329 |
| | | 2,725,889 |
| 197,600 | | 4,296,296 |
| 103,323 | 150 | 378,376 |
| <u>12,380,214</u> | <u>1,681,372</u> | <u>45,664,418</u> |
| | 408,852 | 4,788,567 |
| | 7,547 | 9,700,680 |
| 1,706,250 | | 2,364,748 |
| 735,324 | | 963,108 |
| | | 711,074 |
| | 30,110 | 2,119,714 |
| 8,668,323 | | 8,668,323 |
| 173,204 | | 173,204 |
| | | 962,087 |
| | 6,437,973 | 6,437,973 |
| | | 22,220,989 |
| | | 8,165,206 |
| <u>11,283,101</u> | <u>6,884,482</u> | <u>67,275,673</u> |
| <u>1,097,113</u> | <u>(5,203,110)</u> | <u>(21,611,255)</u> |
| | 5,163,654 | 11,163,654 |
| <u>(1,359,485)</u> | | <u>(11,163,654)</u> |
| <u>(1,359,485)</u> | <u>5,163,654</u> | |
| (262,372) | (39,456) | (21,611,255) |
| 4,302,497 | 123,773 | 58,160,867 |
| <u>\$ 4,040,125</u> | <u>\$ 84,317</u> | <u>\$ 36,549,612</u> |

The accompanying notes are an integral part of the financial statements.

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KENTON COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2010

KENTON COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2010

| | |
|--|-----------------|
| Net Change in Fund Balances - Total Governmental Funds | \$ (21,611,255) |
|--|-----------------|

Amounts Reported for Governmental Activities in the Statement of Activities Are Different Because Governmental Funds Report Capital Outlays as Expenditures. However, in the Statement of Activities the Cost of those Assets Is Allocated over their Estimated Useful Lives and Reported as Depreciation Expense.

| | |
|-------------------------------|-------------|
| Capital Outlay | 23,386,945 |
| Depreciation Expense | (2,130,600) |
| Book Value of Disposed Assets | (1,132,845) |

| | |
|---|-----------|
| Internal Service Funds Are Used by Management to Charge the Cost of Health Insurance to Individual Funds. The Net Revenues (Expenses) of this Fund Are Reported with Governmental Activities. | (564,111) |
|---|-----------|

Proceeds from Debt Issuance provide a current financial resource to Governmental Funds while Lease and Bond Principal Payments Are Expensed in the Governmental Funds as a Use of Current Financial Resources. These Transactions Have No Effect On Net Assets, and Therefore Have Been Eliminated.

| | |
|-------------------------|------------------|
| Bond Principal Payments | <u>3,905,000</u> |
|-------------------------|------------------|

| | |
|---|----------------------------|
| Change in Net Assets of Governmental Activities | <u><u>\$ 1,853,134</u></u> |
|---|----------------------------|

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KENTON COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2010

KENTON COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2010

| | Business-Type Activities - Enterprise Funds | | | Governmental Activities - Internal Service Fund |
|---|--|----------------|--------------|--|
| | Non-major | | | |
| | Jail | | | Health |
| | Kenton County | Canteen | Total | Insurance |
| | Golf Course | Fund | | Fund |
| Assets | | | | |
| Current Assets: | | | | |
| Cash and Cash Equivalents | \$ 164,508 | \$ 52,860 | \$ 217,368 | \$ 3,241,331 |
| Inventory | 60,694 | | 60,694 | |
| Total Current Assets | 225,202 | 52,860 | 278,062 | 3,241,331 |
| Non-Current Assets: | | | | |
| Capital Assets: | | | | |
| Property and Equipment, Net | 3,153,422 | | 3,153,422 | |
| Total Non-Current Assets | 3,153,422 | | 3,153,422 | |
| Total Assets | 3,378,624 | 52,860 | 3,431,484 | 3,241,331 |
| Liabilities | | | | |
| Current Liabilities | | | | |
| Accounts Payable | 98,470 | | 98,470 | |
| Accrued Payroll | 42,974 | | 42,974 | |
| Accrued Compensated Absences | 155,305 | | 155,305 | |
| Other Accrued Liabilities | 7,673 | | 7,673 | |
| Gift Certificates Outstanding | 28,444 | | 28,444 | |
| Due To Primary Government | 171,764 | | 171,764 | |
| Bonds Payable | 93,050 | | 93,050 | |
| Total Liabilities | 597,680 | | 597,680 | |
| Net Assets | | | | |
| Invested in Capital Assets, Net of Related Debt | 3,060,372 | | 3,060,372 | |
| Unrestricted | (279,428) | 52,860 | (226,568) | 3,241,331 |
| Total Net Assets | \$ 2,780,944 | \$ 52,860 | \$ 2,833,804 | \$ 3,241,331 |

The accompanying notes are an integral part of the financial statements.

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KENTON COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2010

KENTON COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2010

| | Business-Type Activities - Enterprise Funds | | | Governmental Activities - Internal Service Fund |
|---|--|----------------------------------|---------------------|--|
| | Non-major | | | |
| | Kenton County Golf Course | Jail Canteen Fund | Total | Health Insurance Fund |
| Operating Revenues | | | | |
| Pro-Shop Sales, net of costs | \$ (9,857) | \$ | \$ (9,857) | \$ |
| Green Fees | 1,337,851 | | 1,337,851 | |
| Rentals-Power Carts | 643,974 | | 643,974 | |
| Rentals-Miscellaneous | 26,435 | | 26,435 | |
| Concession Commissions | 105,672 | | 105,672 | |
| Charges for Services | | | | 3,700,938 |
| Refunds/Reimbursements | | | | 296,064 |
| Insurance Proceeds | | | | 850,211 |
| FEMA Reimbursement | | | | 56,618 |
| Reclaimed Checks | | 29,611 | 29,611 | |
| Commissary Profit | | 43,603 | 43,603 | |
| Vending Machines | | 4,575 | 4,575 | |
| I Care Profit | | 9,943 | 9,943 | |
| Total Operating Revenues | <u>2,104,075</u> | <u>87,732</u> | <u>2,191,807</u> | <u>4,903,831</u> |
| Operating Expenses | | | | |
| Payroll Expenses | 1,415,349 | | 1,415,349 | |
| Golf Course Expenses | 957,479 | | 957,479 | |
| Clubhouse and Pro-Shop Expenses | 108,886 | | 108,886 | |
| Claims Paid | | | | 5,186,806 |
| Premiums | | | | 14,911 |
| Checks | | 392 | 392 | |
| Indigent Expenses | | 25,000 | 25,000 | |
| Entertainment | | 12,469 | 12,469 | |
| General and Administrative Expenses | 110,733 | 31,300 | 142,033 | 267,386 |
| Total Operating Expenses | <u>2,592,447</u> | <u>69,161</u> | <u>2,661,608</u> | <u>5,469,103</u> |
| Operating Income (Loss) | <u>(488,372)</u> | <u>18,571</u> | <u>(469,801)</u> | <u>(565,272)</u> |
| Nonoperating Revenues (Expenses) | | | | |
| Transfers In Governmental Funds | | | | |
| Interest Revenue | 667 | | 667 | 4,163 |
| Loss on Disposal of Assets | (83) | | (83) | |
| Miscellaneous Income | 26,580 | 3,369 | 29,949 | |
| Total Nonoperating Revenues (Expenses) | <u>27,164</u> | <u>3,369</u> | <u>30,533</u> | <u>4,163</u> |
| Change In Net Assets | (461,208) | 21,940 | (439,268) | (561,109) |
| Total Net Assets - Beginning | <u>3,242,152</u> | <u>30,920</u> | <u>3,273,072</u> | <u>3,802,440</u> |
| Total Net Assets - Ending | <u>\$ 2,780,944</u> | <u>\$ 52,860</u> | <u>\$ 2,833,804</u> | <u>\$ 3,241,331</u> |

The accompanying notes are an integral part of the financial statements.

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KENTON COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2010

KENTON COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2010

| | Business-Type Activities - Enterprise Funds | | | Governmental Activities - Internal Service Fund |
|--|--|----------------------------|-------------------|--|
| | Non-major | | | |
| | Jail | | | |
| | Kenton County Golf Course | Commissary Fund | Total | Health Insurance Fund |
| Cash Flows From Operating Activities | | | | |
| Cash Receipts From Customers | \$ 2,095,349 | \$ 87,732 | \$ 2,183,081 | \$ 3,700,938 |
| Cash Receipts from Commissions | 105,672 | | 105,672 | |
| Cash Receipts for Other Services | | | | 1,202,893 |
| Cash Payments for Claims and Premiums | | | | (5,201,717) |
| Cash Payments for Administrative Services | | (69,161) | (69,161) | (267,386) |
| Cash Payments to Suppliers for Goods/ Services | (838,945) | | (838,945) | |
| Cash Payments to Employees for Salaries/ Benefits | (1,379,975) | | (1,379,975) | |
| Net Cash (Used) Provided By Operating Activities | (17,899) | 18,571 | 672 | (565,272) |
| Cash Flows From Noncapital Financing Activities | | | | |
| Proceeds from Non-Operating Income | 26,580 | 3,369 | 29,949 | |
| Net Cash Provided By Noncapital Financing Activities | 26,580 | 3,369 | 29,949 | |
| Cash Flows From Capital and Related Financing Activities | | | | |
| Acquisition of Property and Equipment | (52,276) | | (52,276) | |
| Payment of Long-Term Debt | (93,050) | | (93,050) | |
| Net Cash (Used) By Capital and Related Financing Activities | (145,326) | | (145,326) | |
| Cash Flows From Investing Activities | | | | |
| Interest Earned | 667 | | 667 | 4,163 |
| Net Cash Provided By Investing Activities | 667 | | 667 | 4,163 |
| Net Change In Cash and Cash Equivalents | (135,978) | 21,940 | (114,038) | (561,109) |
| Cash and Cash Equivalents - July 1, 2009 | 300,486 | 30,920 | 331,406 | 3,802,440 |
| Cash and Cash Equivalents - June 30, 2010 | <u>\$ 164,508</u> | <u>\$ 52,860</u> | <u>\$ 217,368</u> | <u>\$ 3,241,331</u> |

The accompanying notes are an integral part of the financial statements.

KENTON COUNTY
STATEMENT OF CASH FLOWS -
PROPRIETARY FUND - MODIFIED CASH BASIS
For The Year Ended June 30, 2010
(Continued)

| | Business-Type Activities - Enterprise Funds | | | Governmental Activities - Internal Service Fund |
|---|--|-------------------------------------|---------------|--|
| | Non-major | | | |
| | Kenton County Golf Course | Jail Commissary Fund | Total | Health Insurance Fund |
| Reconciliation of Net Income from Operations to Net Cash (Used) Provided by Operating Activities | | | | |
| Operating Income (Loss) | \$ (488,372) | \$ 18,571 | \$ (469,801) | \$ (565,272) |
| Adjustments to Reconcile Operating Income To Net Cash Provided (Used) By Operating Activities: | | | | |
| Depreciation Expense | 400,821 | | 400,821 | |
| Changes In Assets and Liabilities: | | | | |
| Inventory | (5,638) | | (5,638) | |
| Accounts Payable | 35,847 | | 35,847 | |
| Accrued Liabilities | 35,390 | | 35,390 | |
| Gift Certificates Outstanding | 4,053 | | 4,053 | |
| Net Cash (Used) Provided By Operating Activities | <u>\$ (17,899)</u> | <u>\$ 18,571</u> | <u>\$ 672</u> | <u>\$ (565,272)</u> |

The accompanying notes are an integral part of the financial statements.

KENTON COUNTY
STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS

June 30, 2010

KENTON COUNTY
STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS

June 30, 2010

| | Agency Funds | | | |
|------------------------------------|--------------------------------|--|---------------------|---------------------------------|
| | Cities Tax Fund | Flexible Spending Accounts Fund | HRA Fund | Jail Inmate Fund |
| Assets | | | | |
| Current Assets: | | | | |
| Cash and Cash Equivalents | \$ 141,047 | \$ 15,545 | \$ 35,351 | \$ 52,411 |
| Total Assets | <u>141,047</u> | <u>15,545</u> | <u>35,351</u> | <u>52,411</u> |
| Liabilities | | | | |
| Amounts Held In Custody For Others | 141,047 | 15,545 | 35,351 | 52,411 |
| Total Liabilities | <u>\$ 141,047</u> | <u>\$ 15,545</u> | <u>\$ 35,351</u> | <u>\$ 52,411</u> |

The accompanying notes are an integral part of the financial statements.

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENTS**

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KENTON COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The County presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on the Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements. However, financial statements of the Kenton County Golf Course, an enterprise fund are prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the County to report capital assets and infrastructure; however, the value of these assets is included in the Statement of Net Assets, and the corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Kenton County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the County's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. All other component units are discretely presented. The County does not have any discretely presented component units.

Blended Component Units

The following legally separate organization provides its services exclusively to the primary government, and the fiscal court is able to impose its will on this organization. This organization's balances and transactions are reported as though they are part of the county's primary government using the blending method.

KENTON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Reporting Entity (Continued)

Blended Component Units (Continued)

Kenton County Public Properties

The Board of Directors of the Kenton County Public Properties are the members of the Kenton County Fiscal Court. The Corporation was created solely for the benefit of the Fiscal Court per KRS 58.180 to act as an agent in the acquisition and financing of any public project and cannot be sued in its own name without recourse to the Kenton County Fiscal Court. The Fiscal Court has access to the Corporation's resources, is legally obligated to finance the debts, or provide financial support to the corporation. The Corporation is financially accountable to the Fiscal Court. This component unit is blended within the financial statements of the County as the Debt Service Fund.

Kenton County Golf Course

The Kenton County Golf Course is a blended component unit and operating division of Kenton County Fiscal Court. Audited financial statements for the Kenton County Golf Course may be requested by contacting the Kenton County Treasurer, PO Box 792, 303 Court Street, Covington, KY 41012.

C. Kenton County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting Kenton County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities, and special districts within the County, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Kenton County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

KENTON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities normally are supported by taxes and intergovernmental revenues. Business-type revenues come mostly from fees charged to external parties for goods and services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The Statement of Net Assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) October 1, due at discount October 31, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale the 1st Tuesday in April following the delinquency date.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental) and whose assets, liabilities, revenues or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

KENTON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Governmental Funds

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck license distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the County. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Occupational License Tax Fund - The primary purpose of this fund is to account for the collection of occupational license and payroll taxes.

The primary government also has the following non-major funds: Local Government Economic Assistance Fund, Community Development Block Grant Fund, Special Police Fund, and the Debt Service Fund.

Special Revenue Funds:

The Road Fund, Jail Fund, Occupational License Tax Fund, Local Government Economic Assistance Fund, Community Development Block Grant Fund and the Special Police Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Debt Service Fund:

The Debt Service fund is used to account for the accumulation of resources for and the payment of general long-term debt principal and interest.

KENTON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the county's enterprise fund are charges to customers for sales at the Kenton County golf courses. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets.

The primary government reports the following major proprietary fund:

Kenton County Golf Course – The statements presented in this report are prepared on the accrual basis, whereby revenues are recognized when they are earned and expenses are recognized when they are incurred.

Jail Canteen Fund – This non-major fund accounts for the sales and related costs and profits of items sold to inmates while they are held at the detention center.

Internal Service Fund

The primary government reports the following internal service fund:

Health Insurance Fund - The Fiscal Court maintains this internal service fund to account for the health insurance provided to employees.

Fiduciary Funds

Fiduciary funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. The primary government reports the following fiduciary funds:

Kenton County/Cities Tax Collection Fund - This fund accounts for payroll taxes received from businesses and remitted to the local cities and other county funds.

Jail Inmate Fund - This fund accounts for funds received from inmates after incarceration.

Flexible Spending Accounts Fund - This fund accounts for funds received from employees for their flexible spending accounts.

Health Reimbursement Accounts (HRA) Fund – This fund accounts for funds received from the County to reimburse certain employee medical expenses.

KENTON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

E. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the County to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Capital Assets

Capital assets, which include land, non-depreciable land improvements, depreciable land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

| | Capitalization Threshold | Useful Life (Years) |
|-------------------------------------|-----------------------------|------------------------|
| Land Improvements | \$ 25,000 | 10-60 years |
| Buildings and Building Improvements | \$ 50,000 | 10-75 years |
| Machinery and Equipment | \$ 10,000 | 3-15 years |
| Vehicles | \$ 10,000 | 3-15 years |
| Infrastructure | \$ 25,000 | 10-50 years |

G. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes, and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

KENTON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

H. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

I. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the Department for Local Government.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the Department for Local Government. Expenditures may not exceed budgeted appropriations at the activity level.

The Health Insurance Fund was not budgeted as health insurance premiums are budgeted in the other County funds. The Kenton County/Cities Tax Collection Fund was not budgeted as the County portion is budgeted in the Occupational License Tax Fund. The Jail Canteen Fund is not budgeted, as the County is not required to approve those expenditures. The Special Police Fund is not budgeted as those expenditures are budgeted and paid through the General Fund. The funds are then transferred from the Special Police Fund.

KENTON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 2. Deposits and Investments

A. Deposits

The primary government and component units maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of June 30, 2010, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

B. Investments

As of June 30, 2010, the County had the following investments:

Cash and Investments by Type

| I. Cash | Cost |
|-------------------------------------|-----------------------------|
| Cash | \$ 4,990 |
| Certificate of Deposit | 23,236,731 |
| Total | <u>\$ 23,241,721</u> |
| II. Investments | Cost |
| | < 1 Year |
| Agency Notes | \$ 350,594 |
| Treasury Bills | 224,916 |
| Agency Discount Notes | 1,219,500 |
| Total | <u>\$ 1,795,010</u> |
| Total Cash & Investments | <u><u>\$ 25,036,731</u></u> |

KENTON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 2. Deposits and Investments (Continued)

B. Investments (Continued)

Interest Rate Risk. The County has a formal investment policy that limits its investment maturities as a means of managing its exposure to losses arising from changes in interest rates.

Credit Risk. KRS 66.480 limits the County's investments in the following: obligations of the United States and of its agencies and instrumentalities, including obligations subject to repurchase agreements, obligations and contracts for future delivery or purchase of obligations backed by the United States or its agencies and obligations of any corporation of the United States Government. Certificates of Deposit issued by or other interest-bearing accounts of any bank or savings and loan institution insured by the Federal Deposit Insurance Corporation or similar entity. Uncollateralized certificates of deposit issued by any bank or savings and loan institution rated in one of the three highest categories by a nationally recognized rating agency. Bankers' acceptances for banks rate in one of the three highest categories by a nationally recognized rating agency. Commercial paper rated in the highest category by a nationally recognized agency. Bonds or certificates of indebtedness of this state and of its agencies and instrumentalities. Securities issued by a state or local government, or any instrumentality of agency thereof, in the United States and rated in one of the three highest categories by a nationally recognized rating agency. Shares of mutual funds meeting specific characteristics outlined in the statute shall be eligible investments. Also, the County is limited to investing no more than 20% in any one of four specifically named investments as allowed by KRS 66.480. The County had no investment policy that would further limit its investment choices. In general, certificates of deposit are not subject to investment credit risk. See the chart below for credit ratings for each individual investment type.

| Credit Ratings | AAA | Cost | Concentration of Percentage |
|---------------------------|---------------------|---------------------|------------------------------------|
| Fixed Income Investments: | | | |
| Agency and Discount Notes | \$ 1,795,010 | \$ 1,795,010 | 100% |
| Total Investments | <u>\$ 1,795,010</u> | <u>\$ 1,795,010</u> | <u>100%</u> |

Concentration of Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Concentration of credit risk is the risk of loss attributed to the magnitude of the County's investment in a single issuer. See the chart above for investments that exceed five percent or more of the total investments for the County.

Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments held in the possession of an outside party. The County does not have an investment policy for custodial credit risk. As of June 30, 2010, the County's investments were not exposed to custodial credit risk.

KENTON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 3. Capital Assets

Capital asset activity for the year ended June 30, 2010 was as follows:

| | Reporting Entity | | | |
|--|----------------------|---------------|----------------|-------------------|
| | Beginning Balance | Increases | Decreases | Ending Balance |
| Primary Government: | | | | |
| <u>Governmental Activities:</u> | | | | |
| Capital Assets Not Being Depreciated: | | | | |
| Land and Land Improvements | \$ 13,735,954 | \$ | \$ | \$ 13,735,954 |
| Construction in Progress | 7,724,568 | 22,037,281 | (1,132,845) | 28,629,004 |
| Total Capital Assets Not Being Depreciated | 21,460,522 | 22,037,281 | (1,132,845) | 42,364,958 |
| Capital Assets, Being Depreciated: | | | | |
| Buildings and Improvements | 77,184,943 | 1,169,293 | | 78,354,236 |
| Vehicles and Equipment | 10,423,831 | 180,371 | | 10,604,202 |
| Infrastructure | 12,526,956 | | | 12,526,956 |
| Total Capital Assets Being Depreciated | 100,135,730 | 1,349,664 | | 101,485,394 |
| Less Accumulated Depreciation For: | | | | |
| Buildings and Improvements | (21,386,813) | (553,041) | | (21,939,854) |
| Vehicles and Equipment | (7,182,295) | (893,258) | | (8,075,553) |
| Infrastructure | (5,322,975) | (684,301) | | (6,007,276) |
| Total Accumulated Depreciation | (33,892,083) | (2,130,600) | | (36,022,683) |
| Total Capital Assets, Being Depreciated, Net | 66,243,647 | (780,936) | | 65,462,711 |
| Governmental Activities Capital Assets, Net | \$ 87,704,169 | \$ 21,256,345 | \$ (1,132,845) | \$ 107,827,669 |

KENTON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 3. Capital Assets (Continued)

| | Reporting Entity | | | |
|--|----------------------|--------------|-----------|-------------------|
| | Beginning Balance | Increases | Decreases | Ending Balance |
| <u>Business-Type Activities:</u> | | | | |
| Capital Assets Not Being Depreciated: | | | | |
| Land and Land Improvements | \$ 354,885 | \$ | \$ | \$ 354,885 |
| Total Capital Assets Not Being Depreciated | 354,885 | | | - |
| | | | | 354,885 |
| Capital Assets, Being Depreciated: | | | | - |
| Land Improvements | 6,803,645 | | | 6,803,645 |
| Buildings | 1,044,812 | | | 1,044,812 |
| Driveways | 153,901 | | | 153,901 |
| Power Carts | 657,661 | | | 657,661 |
| Machinery and Equipment | 1,573,196 | 52,276 | (762,604) | 862,868 |
| Furniture and Fixtures | 131,574 | | | 131,574 |
| Total Capital Assets Being Depreciated | 10,364,789 | 52,276 | (762,604) | 9,654,461 |
| Less Accumulated Depreciation For: | | | | |
| Land Improvements | (4,546,053) | (200,622) | | (4,746,675) |
| Buildings | (559,474) | (25,337) | | (584,811) |
| Driveway | (153,901) | | | (153,901) |
| Power Carts | (439,728) | (130,760) | | (570,488) |
| Machinery and Equipment | (1,386,894) | (44,183) | 762,604 | (668,473) |
| Furniture and Fixtures | (131,574) | | | (131,574) |
| Total Accumulated Depreciation | (7,217,624) | (400,902) | 762,604 | (6,855,922) |
| Total Capital Assets, Being Depreciated, Net | 3,147,165 | (348,626) | | 2,798,539 |
| Business-Type Activities Capital Assets, Net | \$ 3,502,050 | \$ (348,626) | \$ | \$ 3,153,424 |

KENTON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 3. Capital Assets (Continued)

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

| | |
|------------------------------------|----------------|
| General Government | \$ 252,190 |
| Protection to Persons and Property | 629,800 |
| General Health and Sanitation | 42,206 |
| Recreation and Culture | 67,980 |
| Roads | 822,472 |
| Transportation Facilities | 151,962 |
| Road Facilities | 22,323 |
| Administration | <u>141,667</u> |

| | |
|--|----------------------------|
| Total Depreciation Expense - Governmental Activities | <u><u>\$ 2,130,600</u></u> |
|--|----------------------------|

Business-Type Activities

| | |
|-------------|-------------------|
| Golf Course | <u>\$ 400,902</u> |
|-------------|-------------------|

| | |
|---|--------------------------|
| Total Depreciation Expense - Business-Type Activities | <u><u>\$ 400,902</u></u> |
|---|--------------------------|

Note 4. Notes Receivable

Internal Receivable/Payable

The fiscal court paid \$372,200 toward the purchase of power carts for the Golf Course. Starting in fiscal year 2007, the Golf Course made an interest-free payment each year for four years of \$93,050. This payment was not made for fiscal year ending June 30, 2008 but was paid during both 2009 and 2010 leaving \$93,050 that is included in the assets of governmental funds and the liabilities of enterprise funds. It is also included as an internal receivable and internal payable at the government-wide level, the net effect of which is zero.

KENTON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 5. Long-Term Debt

A. General Obligation Bond-Various Purpose Bond Series 2004A

The Kenton County Fiscal Court issued a general obligation bond to provide funds for various County road projects; modifications to the County detention center and acquisition of mobile data terminal network and installation dated December 9, 2003. The total bond issue of \$9,000,000 was in denominations of \$5,000 and integral multiples thereof. These bonds mature on June 30 of years between 2006 and 2014, with interest of 2.0% to 3.5% payable on June 30 of each year. The bonds outstanding on June 30, 2010 were \$3,900,000. Huntington National Bank is the paying agent and bond registrar. The debt service requirements for future fiscal years are as follows:

| Fiscal Year Ended June 30 | Governmental Activities | |
|------------------------------|-------------------------|-------------------|
| | Principal | Interest |
| 2011 | \$ 930,000 | \$ 114,857 |
| 2012 | 955,000 | 84,806 |
| 2013 | 990,000 | 52,581 |
| 2014 | 1,025,000 | 17,937 |
| Totals | <u>\$ 3,900,000</u> | <u>\$ 270,181</u> |

B. General Obligation Bond - Various Purpose Series 2004B

The Kenton County fiscal Court issued \$15,990,000 of its Various Purpose General Obligation (GO) Bonds, 2004 Series B, for the purpose of advance refunding a portion of the Kenton County, Kentucky, Public Properties Corporation First Mortgage Revenue Bonds (Parking Facilities Project) 1996 Series A, to advance refund a portion of Kenton County, Kentucky, Public Properties Corporation First Mortgage Revenue Bonds (Park and Recreational Facilities Project) 1995 Series A, and to reimburse the County for funds used to repay amounts due and owing under a Lease Participation Agreement by and between the Kentucky Local Correctional Facilities Construction Authority and the County of Kenton, Kentucky, acting by and through its Fiscal Court dates as of October 15, 1984 as amended February 15, 1987 and amended on February 1, 1994, ("Collectively the Refunding"). The bonds were issued in denominations of \$5,000 each and integral multiples thereof. The bonds mature on December 1 of years 2006 through 2016, with interest of 2.0% to 4.0% payable on June 1 and December 1 of each year. The bonds outstanding on June 30, 2010 were \$10,705,000. The Bank of New York Trust Company, Cincinnati, Ohio is paying agent and Bond Registrar.

The debt service requirements for future fiscal years are as follows:

KENTON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 5. Long-Term Debt (Continued)

B. General Obligation Bond - Various Purpose Series 2004B (Continued)

| Fiscal Year Ended June 30 | Governmental Activities | |
|------------------------------|-------------------------|---------------------|
| | Principal | Interest |
| 2011 | \$ 1,510,000 | \$ 347,398 |
| 2012 | 1,565,000 | 301,273 |
| 2013 | 1,615,000 | 251,554 |
| 2014 | 1,670,000 | 196,085 |
| 2015 | 1,735,000 | 135,630 |
| 2016-2017 | 2,610,000 | 78,800 |
| Totals | <u>\$ 10,705,000</u> | <u>\$ 1,310,740</u> |

C. Revenue Refunding Bonds –Court Facilities Project Series 2007

The Kenton County Public Properties Corporation issued bonds dated February 1, 2008 in the amount of \$17,740,000. The proceeds from the sale of the bonds were used to advance refund the outstanding mortgage revenue bonds, series 1998A, of the Corporation, dated June 1, 1998, which were issued to pay the costs of construction of the courthouse facilities project. The bonds mature on March 1 of years 2009 through 2029, with interest of 4.00% to 4.25% payable on March 1 and September 1 of each year. The bonds outstanding on June 30, 2010 were \$16,620,000.

Requirements for principal and interest payments for the next five years and thereafter are:

| Fiscal Year Ended June 30 | Governmental Activities | |
|------------------------------|-------------------------|---------------------|
| | Principal | Interest |
| 2011 | \$ 590,000 | \$ 701,519 |
| 2012 | 620,000 | 677,181 |
| 2013 | 640,000 | 651,606 |
| 2014 | 665,000 | 625,206 |
| 2015 | 695,000 | 597,775 |
| 2016-2020 | 3,930,000 | 2,534,506 |
| 2021-2025 | 4,825,000 | 1,635,894 |
| 2026-2029 | 4,655,000 | 515,544 |
| Totals | <u>\$ 16,620,000</u> | <u>\$ 7,939,231</u> |

KENTON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 5. Long-Term Debt (Continued)

D. General Obligation Public Project Bonds, Series 2009

The Kenton County Public Properties Corporation issued bonds dated May 1, 2009 in the amount of \$36,540,000. The proceeds from the sale of the bonds will be used for the construction of the new Detention Facility. The bonds mature on April 1, with interest of 2.50% to 4.375% payable on April 1 and October 1 of each year. The bonds outstanding on June 30, 2010 were \$35,570,000.

Requirements for principal and interest payments for the next five years and thereafter are:

| Fiscal Year Ended June 30 | Governmental Activities | |
|------------------------------|-------------------------|----------------------|
| | Principal | Interest |
| 2011 | \$ 965,000 | \$ 1,435,775 |
| 2012 | 990,000 | 1,411,650 |
| 2013 | 1,015,000 | 1,386,900 |
| 2014 | 1,040,000 | 1,361,525 |
| 2015 | 1,070,000 | 1,330,325 |
| 2016-2020 | 5,915,000 | 6,085,425 |
| 2021-2025 | 7,180,000 | 4,825,875 |
| 2026-2030 | 8,805,000 | 3,196,825 |
| 2031-2034 | 8,590,000 | 1,015,650 |
| Totals | <u>\$ 35,570,000</u> | <u>\$ 22,049,950</u> |

Long-term liability activity for the year ended June 30, 2010, was as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---|----------------------|-----------|---------------------|----------------------|------------------------|
| Primary Government: | | | | | |
| <u>Governmental Activities:</u> | | | | | |
| Long-Term Debt | \$ 70,700,000 | \$ | \$ 3,905,000 | \$ 66,795,000 | \$ 3,995,000 |
| Governmental Activities Long-Term Liabilities | <u>\$ 70,700,000</u> | <u>\$</u> | <u>\$ 3,905,000</u> | <u>\$ 66,795,000</u> | <u>\$ 3,995,000</u> |
| <u>Business-Type Activities:</u> | | | | | |
| Note Payable - Fiscal Court | \$ 186,100 | \$ | \$ 93,050 | \$ 93,050 | \$ 93,050 |
| Business-Type Activities Long-Term Liabilities | <u>\$ 186,100</u> | <u>\$</u> | <u>\$ 93,050</u> | <u>\$ 93,050</u> | <u>\$ 93,050</u> |

KENTON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 6. Employee Retirement System

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 16.16 percent.

Hazardous covered employees are required to contribute 8 percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 9 percent of their salary to be allocated as follows: 8% will go to the member's account and 1% will go to the KRS insurance fund. The county's contribution rate for hazardous employees was 32.97 percent.

The county's contribution for FY 2008 was \$2,567,848, FY 2009 was \$2,179,135 and FY 2010 was \$2,464,372.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008 aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 7. Self-Insurance

The Kenton County Fiscal Court elected to begin a self-funded liability and health insurance plan in April of 1992. This self-funded plan covers all employees and county property. The County elected to purchase a stop-loss insurance policy from United Healthcare Insurance Company to cover losses from individual and aggregate claims once the County reached the individual and aggregate attachment points. Employees are required to assume liability for claims in excess of maximum lifetime reimbursements established by the insurance company.

Kenton County Fiscal Court contracts with Custom Design Benefits, Inc. for administration of the health insurance fund. They contract with Alternative Service Concepts, LLC to administer liability and worker's compensation claims.

KENTON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 8. Deferred Compensation

On February 24, 2000, the Kenton County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by the Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax-sheltered supplemental retirement plans for all state, public school, and university employees and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permit all full-time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

Note 9. Estimated Infrastructure Historical Cost

Historical cost of infrastructure placed in service prior to the fiscal year ended June 30, 2004 (year of GASB 34 implementation) is an estimate. For those assets, the primary government estimated the year infrastructure was built by determining when a major reconstruction had been done on infrastructure. This estimate was used to calculate the infrastructure historical cost by determining current year construction cost and deflating it back to the estimated year of construction or reconstruction. Estimated infrastructure historical cost includes infrastructure placed in service from fiscal year 1984 through the current fiscal year. All infrastructure assets placed in service during the fiscal year ended June 30, 2003 and thereafter are recorded at actual historical cost.

Note 10. Leases

The County leases two copy machines. Future minimum payments are \$7,081, \$7,081 and \$3,540 for the years ended June 30, 2011, 2012, and 2013, respectively.

Note 11. Prior Period Adjustments

Beginning net assets on the statement of activities has been changed to account for the reclassification of the Jail Canteen Fund from a governmental fund to a proprietary fund. The General Fund and COLT Fund beginning balances have also been changed on the statement of revenues, expenditures, and changes in fund balances to reflect prior period adjustments. The net of these adjustments total \$275,471.

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KENTON COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2010

KENTON COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2010

| GENERAL FUND | | | | |
|---|-------------------------|---------------------|--|---|
| | <u>Budgeted Amounts</u> | | Actual Amounts, (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Taxes | \$ 17,013,500 | \$ 17,013,500 | \$ 17,038,785 | \$ 25,285 |
| In Lieu Tax Payments | | | 48,131 | 48,131 |
| Excess Fees | 1,850,000 | 1,850,000 | 1,833,016 | (16,984) |
| Licenses and Permits | 163,500 | 163,500 | 170,849 | 7,349 |
| Intergovernmental | 916,200 | 916,200 | 1,011,218 | 95,018 |
| Charges for Services | 2,908,503 | 2,908,503 | 2,181,524 | (726,979) |
| Miscellaneous | 3,643,696 | 3,643,696 | 3,178,287 | (465,409) |
| Interest | 90,000 | 90,000 | 271,887 | 181,887 |
| Total Revenues | <u>26,585,399</u> | <u>26,585,399</u> | <u>25,733,697</u> | <u>(851,702)</u> |
| EXPENDITURES | | | | |
| General Government | 5,662,974 | 5,183,085 | 4,379,715 | 803,370 |
| Protection to Persons and Property | 4,177,756 | 4,203,636 | 3,735,966 | 467,670 |
| General Health and Sanitation | 712,492 | 754,492 | 658,498 | 95,994 |
| Social Services | 235,000 | 235,000 | 227,784 | 7,216 |
| Recreation and Culture | 769,830 | 769,830 | 711,074 | 58,756 |
| Debt Service | 3,848,787 | 3,848,787 | 3,804,169 | 44,618 |
| Capital Projects | 36,445,000 | 36,512,695 | 22,058,990 | 14,453,705 |
| Administration | 18,487,625 | 18,831,939 | 5,415,675 | 13,416,264 |
| Total Expenditures | <u>70,339,464</u> | <u>70,339,464</u> | <u>40,991,871</u> | <u>29,347,593</u> |
| Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses) | <u>(43,754,065)</u> | <u>(43,754,065)</u> | <u>(15,258,174)</u> | <u>28,495,891</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers To Other Funds | <u>(7,800,000)</u> | <u>(7,800,000)</u> | <u>(6,000,000)</u> | <u>1,800,000</u> |
| Total Other Financing Sources (Uses) | <u>(7,800,000)</u> | <u>(7,800,000)</u> | <u>(6,000,000)</u> | <u>1,800,000</u> |
| Net Changes in Fund Balance | (51,554,065) | (51,554,065) | (21,258,174) | 30,295,891 |
| Fund Balance - Beginning (Restated) | <u>51,554,065</u> | <u>51,554,065</u> | <u>52,411,032</u> | <u>856,967</u> |
| Fund Balance - Ending | <u>\$</u> | <u>\$</u> | <u>\$ 31,152,858</u> | <u>\$ 31,152,858</u> |

KENTON COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2010
(Continued)

| | ROAD FUND | | | |
|---|--------------------|--------------------|----------------------------------|--|
| | Budgeted Amounts | | Actual | Variance with |
| | Original | Final | Amounts, (Budgetary Basis) | Final Budget Positive (Negative) |
| REVENUES | | | | |
| Taxes | \$ 1,374,729 | \$ 1,374,729 | \$ 1,265,274 | \$ (109,455) |
| Intergovernmental | 802,900 | 802,900 | 977,288 | 174,388 |
| Charges for Services | 380,000 | 380,000 | 419,181 | 39,181 |
| Miscellaneous | 220,000 | 220,000 | 164,269 | (55,731) |
| Interest | 25,000 | 25,000 | 1,977 | (23,023) |
| Total Revenues | <u>2,802,629</u> | <u>2,802,629</u> | <u>2,827,989</u> | <u>25,360</u> |
| EXPENDITURES | | | | |
| Roads | 2,667,843 | 2,800,343 | 2,089,604 | 710,739 |
| Road Facilities | 1,055,870 | 1,058,620 | 962,087 | 96,533 |
| Capital Projects | 306,000 | 306,000 | 161,999 | 144,001 |
| Administration | 2,103,849 | 1,968,599 | 693,109 | 1,275,490 |
| Total Expenditures | <u>6,133,562</u> | <u>6,133,562</u> | <u>3,906,799</u> | <u>2,226,763</u> |
| Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses) | <u>(3,330,933)</u> | <u>(3,330,933)</u> | <u>(1,078,810)</u> | <u>2,252,123</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers From Other Funds | <u>2,100,000</u> | <u>2,100,000</u> | <u>1,000,000</u> | <u>(1,100,000)</u> |
| Total Other Financing Sources (Uses) | <u>2,100,000</u> | <u>2,100,000</u> | <u>1,000,000</u> | <u>(1,100,000)</u> |
| Net Changes in Fund Balance | <u>(1,230,933)</u> | <u>(1,230,933)</u> | <u>(78,810)</u> | <u>1,152,123</u> |
| Fund Balance - Beginning | <u>1,230,933</u> | <u>1,230,933</u> | <u>537,024</u> | <u>(693,909)</u> |
| Fund Balance - Ending | <u>\$</u> | <u>\$</u> | <u>\$ 458,214</u> | <u>\$ 458,214</u> |

KENTON COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2010
(Continued)

| JAIL FUND | | | | |
|---|--------------------|--------------------|--|---|
| | Budgeted Amounts | | Actual Amounts, (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
| | Original | Final | | |
| REVENUES | | | | |
| Intergovernmental | \$ 2,036,875 | \$ 2,036,875 | \$ 2,158,783 | \$ 121,908 |
| Charges for Services | 25,000 | 25,000 | 125,184 | 100,184 |
| Miscellaneous | 530,000 | 530,000 | 756,140 | 226,140 |
| Interest | 5,500 | 5,500 | 1,039 | (4,461) |
| Total Revenues | <u>2,597,375</u> | <u>2,597,375</u> | <u>3,041,146</u> | <u>443,771</u> |
| EXPENDITURES | | | | |
| Protection to Persons and Property | 5,595,600 | 6,377,600 | 5,957,167 | 420,433 |
| Administration | 3,598,241 | 2,816,241 | 2,056,422 | 759,819 |
| Total Expenditures | <u>9,193,841</u> | <u>9,193,841</u> | <u>8,013,589</u> | <u>1,180,252</u> |
| Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses) | <u>(6,596,466)</u> | <u>(6,596,466)</u> | <u>(4,972,443)</u> | <u>1,624,023</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers From Other Funds | <u>5,700,000</u> | <u>5,700,000</u> | <u>5,000,000</u> | <u>(700,000)</u> |
| Total Other Financing Sources (Uses) | <u>5,700,000</u> | <u>5,700,000</u> | <u>5,000,000</u> | <u>(700,000)</u> |
| Net Changes in Fund Balance | (896,466) | (896,466) | 27,557 | 924,023 |
| Fund Balance - Beginning | <u>896,466</u> | <u>896,466</u> | <u>693,491</u> | <u>(202,975)</u> |
| Fund Balance - Ending | <u>\$</u> | <u>\$</u> | <u>\$ 721,048</u> | <u>\$ 721,048</u> |

KENTON COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2010
(Continued)

| OCCUPATIONAL LICENSE TAX FUND | | | | |
|---|------------------|---------------|--|---|
| | Budgeted Amounts | | Actual Amounts, (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
| | Original | Final | | |
| REVENUES | | | | |
| Taxes | \$ 11,850,000 | \$ 11,850,000 | \$ 11,366,473 | \$ (483,527) |
| Intergovernmental | 725,000 | 725,000 | 712,818 | (12,182) |
| Miscellaneous | 177,000 | 177,000 | 197,600 | 20,600 |
| Interest | 158,000 | 158,000 | 103,323 | (54,677) |
| Total Revenues | 12,910,000 | 12,910,000 | 12,380,214 | (529,786) |
| EXPENDITURES | | | | |
| General Health and Sanitation | 1,746,928 | 1,952,796 | 1,706,250 | 246,546 |
| Social Services | 977,260 | 982,260 | 735,324 | 246,936 |
| Bus Services | 9,011,890 | 9,011,890 | 8,668,323 | 343,567 |
| Other Transportation Facilities and Services | 251,788 | 251,788 | 173,204 | 78,584 |
| Debt Service | 1,359,485 | 1,359,485 | 1,359,485 | |
| Administration | 3,750,176 | 3,539,308 | | 3,539,308 |
| Total Expenditures | 17,097,527 | 17,097,527 | 12,642,586 | 4,454,941 |
| Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses) | (4,187,527) | (4,187,527) | (262,372) | 3,925,155 |
| Net Changes in Fund Balances | (4,187,527) | (4,187,527) | (262,372) | 3,925,155 |
| Fund Balances - Beginning (Restated) | 4,187,527 | 4,187,527 | 4,302,497 | 114,970 |
| Fund Balances - Ending | \$ | \$ | \$ 4,040,125 | \$ 4,040,125 |

KENTON COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2010

Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the Department for Local Government.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the Department for Local Government. Expenditures may not exceed budgeted appropriations at the activity level.

RECONCILIATION OF THE GENERAL FUND

| | |
|--|------------------------------|
| Total Expenditures - Budgetary Basis | \$ 40,991,871 |
| To Record Transfer of Debt Payments | <u>(3,804,169)</u> |
| Total Expenditures - Modified Cash Basis | <u><u>\$ 37,187,702</u></u> |
| Total Other Financing Sources and Uses - Budgetary Basis | \$ (6,000,000) |
| To Record Transfer of Debt Payments | <u>(3,804,169)</u> |
| Total Other Financing Sources and Uses - Modified Cash Basis | <u><u>\$ (9,804,169)</u></u> |
| Fund Balance, Beginning - Budgetary Basis | \$ 52,411,032 |
| To Reclass Receivable | <u>93,050</u> |
| Fund Balance, Beginning - Modified Cash Basis | <u><u>\$ 52,504,082</u></u> |

RECONCILIATION OF THE COLT FUND

| | |
|--|------------------------------|
| Total Expenditures - Budgetary Basis | \$ 12,642,586 |
| To Record Transfer of Debt Payments | <u>(1,359,485)</u> |
| Total Expenditures - Modified Cash Basis | <u><u>\$ 11,283,101</u></u> |
| Total Other Financing Sources and Uses - Budgetary Basis | \$ |
| To Record Transfer of Debt Payments | <u>(1,359,485)</u> |
| Total Other Financing Sources and Uses - Modified Cash Basis | <u><u>\$ (1,359,485)</u></u> |

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**KENTON COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information**

June 30, 2010

KENTON COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2010

| | LGEA Fund | CDBG Fund | Special Police Fund | Debt Service Fund | Total Non-Major Governmental Funds |
|---------------------------|----------------------|----------------------|------------------------------------|----------------------------------|---|
| ASSETS | | | | | |
| Cash and Cash Equivalents | \$ 20,141 | \$ 50 | \$ 63,959 | \$ 167 | \$ 84,317 |
| Total Assets | <u>20,141</u> | <u>50</u> | <u>63,959</u> | <u>167</u> | <u>84,317</u> |
| FUND BALANCES | | | | | |
| Unreserved: | | | | | |
| Special Revenue Funds | <u>20,141</u> | <u>50</u> | <u>63,959</u> | <u>167</u> | <u>84,317</u> |
| Total Fund Balances | <u>\$ 20,141</u> | <u>\$ 50</u> | <u>\$ 63,959</u> | <u>\$ 167</u> | <u>\$ 84,317</u> |

The accompanying notes are an integral part of the financial statements.

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KENTON COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2010

KENTON COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2010

| | LGEA Fund | CDBG Fund | Special Police Fund | Debt Service Fund | Total Non-Major Governmental Funds |
|---|----------------------|----------------------|------------------------------------|----------------------------------|---|
| REVENUES | | | | | |
| Intergovernmental | \$ 42,666 | \$ 408,852 | \$ | \$ 1,229,704 | \$ 1,681,222 |
| Miscellaneous | | | | | |
| Interest | 43 | | 107 | | 150 |
| Total Revenues | <u>42,709</u> | <u>408,852</u> | <u>107</u> | <u>1,229,704</u> | <u>1,681,372</u> |
| EXPENDITURES | | | | | |
| General Government | | 408,852 | | | 408,852 |
| Protection to Persons and Property | | | 7,547 | | 7,547 |
| Roads | 30,110 | | | | 30,110 |
| Debt Service | | | | 6,437,973 | 6,437,973 |
| Total Expenditures | <u>30,110</u> | <u>408,852</u> | <u>7,547</u> | <u>6,437,973</u> | <u>6,884,482</u> |
| Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses) | <u>12,599</u> | | <u>(7,440)</u> | <u>(5,208,269)</u> | <u>(5,203,110)</u> |
| Other Financing Sources (Uses) | | | | | |
| Transfers From Other Funds | | | | 5,163,654 | 5,163,654 |
| Total Other Financing Sources (Uses) | | | | <u>5,163,654</u> | <u>5,163,654</u> |
| Net Change in Fund Balances | 12,599 | | (7,440) | (44,615) | (39,456) |
| Fund Balances - Beginning | <u>7,542</u> | <u>50</u> | <u>71,399</u> | <u>44,782</u> | <u>123,773</u> |
| Fund Balances - Ending | <u>\$ 20,141</u> | <u>\$ 50</u> | <u>\$ 63,959</u> | <u>\$ 167</u> | <u>\$ 84,317</u> |

The accompanying notes are an integral part of the financial statements.

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KENTON COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Other Supplementary Information

For The Year Ended June 30, 2010

KENTON COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Other Supplementary Information
For The Year Ended June 30, 2010

| Federal Grantor Program Title <u>Grant Name</u> | <u>CFDA #</u> | <u>Pass-Through Grantor's Number</u> | <u>Expenditures</u> |
|--|---------------|--|---------------------|
| <u>U.S. Department of Housing and Urban Development</u> | | | |
| Passed Through The Department for Local Government (DLG): Community Development Block Grant/ State's Program - Transitions Recovery Kentucky | 14.228 | 06-068 | \$ 408,852 * |
| Total U.S. Department of Housing and Urban Development | | | <u>408,852</u> |
| <u>U.S. Department of Homeland Security</u> | | | |
| Passed Through State Department Of Military Affairs: Public Assistance Grant | 97.036 | FEMA-1802-DR-KY | 56,618 |
| | 97.036 | FEMA-1818-DR-KY | 52,791 |
| Total Public Assistance Grants | | | <u>109,409</u> |
| Passed Through State Department Of Military Affairs: Emergency Management Assistance Grant | 97.042 | PON2 1000000487 | 86,523 |
| Total Emergency Management Assistance Grants | | | <u>86,523</u> |
| Total U.S. Department of Homeland Security | | | <u>195,932</u> |
| Total Cash Expenditures of Federal Awards | | | <u>\$ 604,784</u> |

* Denotes Major Program

KENTON COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Other Supplementary Information

For The Year Ended June 30, 2010

Note 1 - The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Kenton County, Kentucky and is presented on a modified cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Honorable Ralph Drees, Kenton County Judge/Executive
Members of the Kenton County Fiscal Court

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial Statements
Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Kenton County, Kentucky, as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated January 27, 2011, wherein we issued a qualified opinion on the business-type activities and the major enterprise fund because the financial statements of the Kenton County Golf Course have been prepared under accounting principles generally accepted in the United States of America and made reference to other auditors. Kenton County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Kenton County Golf Course as described in our report on Kenton County, Kentucky's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Kenton County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Kenton County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Kenton County's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial Statements
Performed In Accordance With Government Auditing Standards
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Kenton County's financial statements as of and for the year ended June 30, 2010, are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, others within the entity, the Department for Local Government, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Ray, Foley, Hensley & Company

Ray, Foley, Hensley & Company, PLLC
January 27, 2011

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

The Honorable Ralph Drees, Kenton County Judge/Executive
Members of the Kenton County Fiscal Court

Report On Compliance With Requirements
Applicable To Each Major Program And On Internal Control
Over Compliance In Accordance With OMB Circular A-133

Compliance

We have audited the compliance of Kenton County, Kentucky, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2010. Kenton County's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Kenton County's management. Our responsibility is to express an opinion on Kenton County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Kenton County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Kenton County's compliance with those requirements.

In our opinion, Kenton County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of Kenton County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Kenton County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Kenton County's internal control over compliance.

Report On Compliance With Requirements
Applicable To Each Major Program And On Internal Control
Over Compliance In Accordance With OMB Circular A-133
(Continued)

Internal Control Over Compliance (Continued)

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, others within the entity, the Department for Local Government, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Ray, Foley, Hensley & Company

Ray, Foley, Hensley & Company, PLLC
January 27, 2011

KENTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Year Ended June 30, 2010

KENTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2010

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses unqualified opinions on the governmental activities, each major fund, and the aggregate remaining fund information of Kenton County, Kentucky. The auditor's report expresses a qualified opinion on the business-type activities and major enterprise fund of Kenton County, Kentucky.
2. No significant deficiencies or material weaknesses relating to the internal control of the audit of the financial statements are reported in the Independent Auditor's Report.
3. No instances of noncompliance material to the financial statements of Kenton County were disclosed during the audit.
4. No significant deficiencies or material weaknesses relating to the audit of the major federal awards programs were reported in the Independent Auditor's Report.
5. The auditor's report on compliance for the audit of the major federal awards programs for Kenton County expresses an unqualified opinion.
6. There are no audit findings of noncompliance relative to the major federal awards programs for Kenton County.
7. The program tested as a major program was the CDBG State's Program – Transitions Recovery Kentucky (CFDA # 14.228)
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Kenton County was not determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

None

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT

None.

D. SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

None.

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**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

KENTON COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2010**

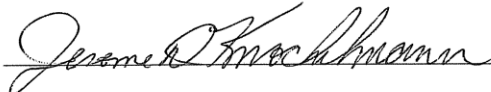
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
KENTON COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2010

The Kenton County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



County Judge/Executive



County Treasurer

